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Geneva, 11-13 June 2007
Item 4(a) of the provisional agenda

PROGRESS REPORTS

Progress Report of the Joint UNECE/OECD/Eurostat Working Group on Statistics for
Sustainable Development (WGSSD)

Submitted by Robert Smith, Statistics Canada, Chairman of WGSSD

INTRODUCTION

1. Since its last progress report in February 2007, both the Steering Committee of the Joint UNECE/OECD/Eurostat Working Group on Statistics for Sustainable Development and the full Working Group have met. The meetings took place back-to-back at the United Nations in Geneva from 18-20 April.
2. As noted in our previous progress report, two sub-groups were formed during the Working Group's meeting in Oslo in November 2006, one focussed on issues related to the capital approach and the other focussed on identifying commonalities in existing national indicator sets. These sub-groups are now fully constituted and each one reported on its activities during the Geneva meeting. The capital sub-group reported progress in developing the concepts around natural and human capital, but less so with respect to social capital. The latter will be a focus of the sub-group's efforts over the coming months. The "commonalities" sub-group reported progress in establishing criteria for assessing commonalities and has analysed preliminary results of a Eurostat-sponsored study of national sustainable development indicator sets. This study is to be completed by early summer, at which point the commonalities sub-group will be better placed to carry out its mandate.

3. During the meeting in Geneva, the Joint UNECE/OECD/Eurostat Working Group considered “annotated outlines” on the overall capital framework, on natural capital and on the policy implications of the capital approach. The outlines, which are intended to serve as starting points for the editor in drafting material for the final report, were approved by the Working Group with minor revisions.
4. The Working Group also discussed an annotated draft of the final report to be prepared by the Working Group and presented to the Conference plenary session in June 2008; equity issues in the capital approach; human capital, challenges in identifying commonalities among existing national sustainable development indicator sets; and social capital.
5. The report of the third meeting of the Joint UNECE/OECD/Eurostat Working Group, held in Geneva, is attached in the Annex.
6. The Working Group will next meet in Bucharest, Romania during 8-9 November 2007. The Steering Committee will meet in Ottawa, Canada during 27-28 September, 2007.

ANNEX

Working Paper 13
25 April 2007

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Joint UNECE/OECD/Eurostat Working Group on Statistics for Sustainable Development
Third meeting
Geneva, 19-20 April 2006

REPORT

INTRODUCTION

1. The joint UNECE/Eurostat/OECD Meeting of the Working Group on Statistics for Sustainable Development (WGSSD) was held in Geneva from 19-20 April 2007. It was attended by Austria, Belgium, Canada, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Lithuania, Luxembourg, The Netherlands, New Zealand, Norway, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, and the United Kingdom. The European Commission (Eurostat, DG ECFIN, and DG INFSO), and the United Nations Economic Commission for Europe (UN ECE) attended.
2. The provisional agenda was adopted.
3. Mr. Robert Smith (Canada) chaired the meeting.

ORGANIZATION OF THE MEETING

4. The following substantive topics were discussed at the meeting on the basis of the contributed papers and presentations from the participating countries/organizations:
 - (a) Reports of the subgroups;
 - (b) Capital and Development: a conceptual and practical framework for measurement and policies;
 - (c) Review of the annotated outline of the final report;
 - (d) Human capital;

- (e) Equity issues in the capital approach;
- (f) Natural capital;
- (g) Commonalities in existing indicator sets;
- (h) Social capital;
- (i) Policy implications of the capital approach.

5. On the first day of the meeting the Working Group split into two groups. The aim of the first group was to define in conceptual terms the capital approach to measuring sustainable development and the aim of the second group was to define what constitutes a 'sustainable development indicator', how indicator sets are to be selected for review, and how 'commonalities' are to be determined.

SUMMARY OF THE MAIN CONCLUSIONS REACHED AT THE MEETING

6. The meeting reached the following main conclusions:

(a) Report from the two sub-group meetings

- Subgroup on capital approach

7. The subgroup reviewed the terms of reference. The terms of reference remains appropriate with one suggestion for an additional item on identification of the indicator domains and list of indicators.

8. The subgroup discussed each of the capital types, starting with natural capital. The paper on natural capital was well written. The following suggestions for improvement were made: introduce the concept of the precautionary principle; review the controversial nature of evaluation methods when measuring natural capital; define the natural capital in broader terms in order to include both market and non-market terms of measurement; and explicit recognition of the need for both physical and monetary measures.

9. The paper on human capital was also reviewed. The paper omitted to mention health. The paper should more clearly distinguish between the input- and output-based approaches. It was suggested that the output-based approaches are more appropriate but in some countries it can lead to underestimation of the human capital.

10. Discussion on whether to measure the human and social capitals concluded that they should be considered separately. In addition, social capital indicators need to be defined.

11. Equity was highlighted as important for sustainable development. The Scandinavian model to development, which put relative emphasis on equity, was proven to be robust and showed that equity matters. Some suggested that equity could be considered as a component of social capital. Thinking further of social capital and equity is a part of the future challenges. Ms. Milicich (New Zealand), Mr. Thomas (Germany) and Mr. Czesany (Czech Republic) agreed to lead the future work on social capital.

- Subgroup on commonalities

12. The group reviewed the concept of commonalities: status of indicators sets, frameworks, number of indicators and tiers, themes and sub-themes, domains, indicator definitions, short term or long term, whether to classify as capital or not capital.

13. The group also reviewed the potential existing/planned reviews of the indicator sets: Eurostat study, Julie Hass report, Statistics Netherlands literature review, and UNCSD questionnaire.

14. The group agreed that, on the basis of the mentioned material, the SDIs will be reviewed, processed and a summary report on commonalities will be prepared. The report will then be validated with the help of the UNECE secretariat for all country members of the CES.

(b) Capital and development: a conceptual and practical framework for measurement and policies

15. The meeting agreed that:

- a conceptual framework for sustainable development measurement must recognize explicitly that welfare is generated in societies both by activities that are market-based and those that are not;
- the presentation of the existing empirical approaches to the measurement of national wealth needs to recognize their exclusion of non-market sources of welfare.

16. The meeting also considered that, from a capital perspective, there is no basis for inclusion of GDP as an indicator of sustainable development.

(c) Review of the annotated outline of the final report

17. The tone, the technical level and the length of the report were discussed. The participants were comfortable with the tone and supported the technical level. It was suggested to include concrete examples that will help the non-experts. Furthermore, the report should include an executive summary for non-experts and the general public. About 100 pages seems to be the comfort level; however, the meeting agreed that the report should be as long as it needs to be.

18. The titles of chapter 3 and chapter 6 need to be changed and possibly section 2.3 will be repositioned. In principle, there was general support for the structure of the report.

(d) Human capital

19. The human capital has to be defined in wider terms. The meeting identified a dilemma as to whether the input- or output-based approach in measuring human capital is preferable. The meeting also noted that the approaches to the calculation of human capital used by the World Bank and Statistics Norway are not fully sufficient. The meeting agreed that more sophisticated

approaches such as the output approach developed by Jorgenson and Fraumeni, and possibly other input approaches should be considered.

(e) Equity issues in the capital approach

20. The meeting agreed with the following points:

- equity between countries is equally important as equity between individuals;
- there are two different points of view with regard to equity and its relation to capital: one view is that equity matters both from intra- and inter-generational perspectives and the other is that equity of those living today is not part of sustainable development;
- equity is in one way or another related to the success of the society. Therefore, the WGSSD has to consider how to express this in a capital approach – is there a stock to measure or shall we measure equity as an input to the social capital?

(f) Natural capital

21. The meeting agreed on the following:

- the way the System of Environmental and Economic Accounting (SEEA) is discussed in the paper should be changed. SEEA should be used actively throughout the chapters, as this is an important reference. However, the report should discuss difficulties with its implementation;
- definition of natural capital needs to be modified to recognise that the question of ownership is not necessarily relevant from a conceptual perspective. Global environment assets not owned by any nation still remain assets;
- the problem of climate change needs to be handled in a stronger way;
- the question of monetary valuation needs to be treated more carefully;
- apply the same approach of presenting the natural capital to the other types of capital in the report;
- there are some concerns about the guidance that the capital framework provides on what should be measured and what should not, e.g. protection of animals. The capital approach will not answer every question related to the environment;
- the capital approach provides a macro perspective that is useful to signal the problem but does not solve the problem.

(g) Commonalities in existing indicators sets

22. There was general support for the proposed outline of chapter 3. However, several participants noted that the proposed outline is ambitious and there is a need for further reflection. Some concern was expressed about the sensitivity in identifying specific countries. The idea of identifying a “best hybrid set of indicators” was questioned and concern was expressed about the feasibility of objectively identifying a “best” set of indicators without good criteria. However, there is a need to identify indicators both to show the commonalities with, and potentially to supplement those indicators that come out of, the capital approach.

(h) Social capital

23. The group generally supports the inclusion of social capital in the final report and also considered the possibility of including cultural capital. It needs to continue to pursue thinking and discussion on this topic. Four lines of enquiry were suggested: institutional indicators, indicators of social services, indicators of trust in corporations, and composite indicators of the effect of human and social indicators. However, a number of participants noted that the use of composite indicators is rejected in official statistics when objective weights are not available.

24. Amongst the various possibilities to measure social capital, there seems to be a vigorous interest in the institutional capital and the group on social capital should look into it.

(i) Policy implications of the capital approach

25. The meeting reviewed the proposed outline for the chapter on the policy implications. There was general support for the outline. However, the meeting recommended that the outline be revised with respect to the tone. A number of comments were expressed in support of the notion that the capital approach to the measurement of sustainable development could lead to some policy implications. Furthermore, it was stressed that official statistics could derive a considerable degree of legitimacy from the use of the capital approach in measuring sustainable development.

RECOMMENDED FUTURE WORK

26. The WGSSD agreed that a fourth meeting of the joint Working Group would be organised in the autumn of 2007. Participants were informed that the next meeting is tentatively planned for 6-7 November 2007. The National Institute of Statistics of Romania has offered to host the meeting in Bucharest. A meeting of the Steering Committee is also tentatively planned for 24-25 September 2007 to be held in Ottawa, Canada.

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